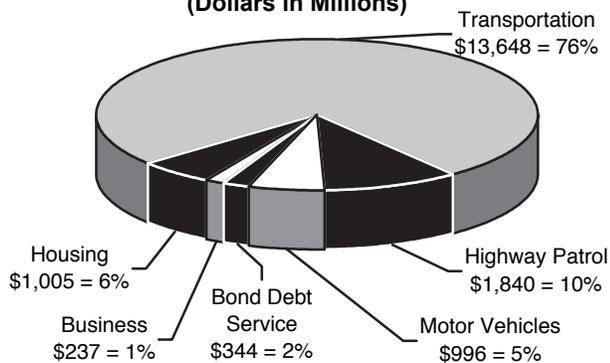


# BUSINESS, TRANSPORTATION, AND HOUSING

The Business, Transportation, and Housing Agency includes programs that: plan, build, and maintain California's state transportation systems; ensure efficient and fair markets for the real estate industry, health care plans, and certain financial businesses; and help communities expand the availability of affordable housing. Agency programs help finance the state's infrastructure, small business expansion, and economic development by encouraging and promoting economic activity and investment within the state. The Agency contributes to public safety through the law enforcement activities of the California Highway Patrol and the Department of Alcoholic Beverage Control. Figure BTH-01 displays the funding proposed in the Business, Transportation, and Housing portion of the Governor's Budget from all fund sources. The majority of the funding is provided by special fund revenues and federal funds. General Fund expenditures are primarily for transportation projects and operations pursuant to Proposition 42.

Figure BTH-01  
**Business, Transportation, and Housing Agency  
2007-08 Expenditures  
(Dollars in Millions)**



## MAJOR ACCOMPLISHMENTS IN 2006-07

California is investing more in its transportation system than ever before. In November, California voters approved the \$19.9 billion transportation element of the Strategic Growth

## BUSINESS, TRANSPORTATION, AND HOUSING

Plan that will help relieve traffic congestion on California's overcrowded roads, expand the state's mass transit and rail systems and improve the air quality around California's ports.

The voters also approved a \$2.85 billion affordable housing bond that will help families become or remain homeowners, provide affordable rental housing, and make housing available for farmworkers and the homeless.

The final 2006-07 Budget included nearly \$13.3 billion for transportation. Overall, state and federal transportation revenues increased by \$2.7 billion over revised 2005-06 figures. The 2006-07 Proposition 42 transfer was fully funded at an estimated \$1.4 billion, and the Budget prepaid \$1.4 billion of outstanding Proposition 42 debt that was due to be repaid in 2007-08 and 2008-09. State and federal transportation revenues provided additional resources for the following programs: \$1.04 billion for the State Transportation Improvement Program, \$925 million for the Traffic Congestion Relief Program, \$437 million for local street and road maintenance, and \$367 million for transit projects.

Initiatives implemented in 2006-07 include the following:

- \$56.4 million as part of a five-year plan to upgrade and replace the California Highway Patrol's radio system, contributing significantly to communications reliability in everyday work and in emergencies.
- \$30.5 million for 240 more Highway Patrol officers, bringing the total number to 6,366.
- \$18.8 million to begin the planning, programming, and infrastructure development necessary for the Department of Motor Vehicles to implement the federal Real ID Act.
- \$6.4 million for 173 additional non-sworn Highway Patrol staff to handle increased cellular 9-1-1 call volume.
- \$2.1 million to begin the modernization of the aging core information technology systems used to support the Department of Motor Vehicle's Driver License, Occupational License, and Vehicle Registration programs.

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### PROPOSED BUSINESS, TRANSPORTATION AND HOUSING SPENDING IN 2007-08

Change Table BTH-01 illustrates the major changes proposed to Business, Transportation and Housing Agency spending in the Governor's Budget.

Change Table BTH-01

**Business, Transportation, and Housing Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$3,029,160	\$13,684,653	43,198.7	\$394,314	\$10,851,842	43,198.7
<b>Workload Adjustments</b>						
Fund Proposition 42 Transfer	--	--	--	1,475,396	--	--
Proposition 1A Debt Payment	--	--	--	83,000	--	--
Removal of One-Time Funds and Current Year Overfunding of State Transit Assistance	--	--	--	--	-283,683	--
Employee Compensation/Retirement	276	153,946	--	234	160,733	--
Court Orders/Lawsuits	593	-39	--	--	--	--
Expiring Programs or Positions	--	--	--	--	-492	--
One-Time Cost Reductions	--	--	--	-7,669	-38,417	--
Full-Year Cost of New Programs	--	--	--	--	94,447	174.4
Other Workload Adjustments	-4,239	-1,067,598	4.2	-18,569	2,305,832	-13.9
<b>Totals, Workload Adjustments</b>	<b>-\$3,370</b>	<b>-\$913,691</b>	<b>4.2</b>	<b>\$1,532,392</b>	<b>\$2,238,420</b>	<b>160.5</b>
<b>Policy Adjustments</b>						
Eliminate State Transit Assistance Share of Spillover Revenues	--	--	--	--	-155,374	--
Patrol Staffing Augmentation	--	--	--	--	17,507	88.9
Pavement Maintenance Augmentation	--	--	--	--	185,000	--
Proposition 1B Highway Transportation Expenditures	--	523,000	--	--	1,491,750	--
Proposition 1B Transit Expenditures	--	--	--	--	600,000	--
Proposition 1C Housing Bond	--	160,959	5.6	--	659,383	42.6
Tribal Securitization	--	-626,500	--	--	--	--
Other Policy Adjustments	--	--	3.3	-338,759	429,305	185.0
<b>Totals, Policy Adjustments</b>	<b>\$0</b>	<b>\$57,459</b>	<b>8.9</b>	<b>-\$338,759</b>	<b>\$3,227,571</b>	<b>316.5</b>
<b>Infrastructure Adjustments</b>	<b>\$0</b>	<b>-\$42,251</b>	<b>--</b>	<b>\$0</b>	<b>\$163,780</b>	<b>--</b>
<b>Total Adjustments</b>	<b>-\$3,370</b>	<b>-\$898,483</b>	<b>13.1</b>	<b>\$1,193,633</b>	<b>\$5,629,771</b>	<b>477.0</b>
<b>Governor's Budget</b>	<b>\$3,025,790</b>	<b>\$12,786,170</b>	<b>43,211.8</b>	<b>\$1,587,947</b>	<b>\$16,481,613</b>	<b>43,675.7</b>

## BUSINESS, TRANSPORTATION, AND HOUSING

The major workload adjustments required by law for 2007-08 include the following:

- Proposition 42 funding included in the 2006-07 Budget is backed out of the starting figure for 2007-08. Full funding of Proposition 42 is proposed in 2007-08 but the one-time debt payments of \$1.4 billion included in 2006-07 are not repeated.
- The minimum Proposition 42 debt repayment is included in 2007-08 per Proposition 1A at \$83 million.
- Removal of a one-time increase in the percentage of spillover revenues allocated to the State Transit Assistance budget from 80 percent back to the customary 50 percent accounts for -\$94 million, removing one-time Proposition 42 loan repayments accounts for -\$109 million, an increase in revenues adds \$21 million, and a reduction of \$102 million to offset unintended payments in excess of the statutory formula in 2006-07, results in a net change of -\$284 million to transit operating grants compared to the 2006-07 budget.
- The change table for the BTH Agency reflects updated 2007-08 local assistance and capital outlay expenditures as well as carryover from past years appropriations. New and adjusted capital spending at both the state and local level comprises the majority of adjustments displayed in the Other Workload Adjustments line.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

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### PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Major budget changes for the Business Transportation and Housing Agency are described under the general headings of Transportation, Highway Safety, and Business and Housing. Within the Transportation section, since most of the budget is driven by the amounts of revenues provided by various sources, changes to those revenue sources are summarized, followed by descriptions of the major programs and the policy changes proposed.

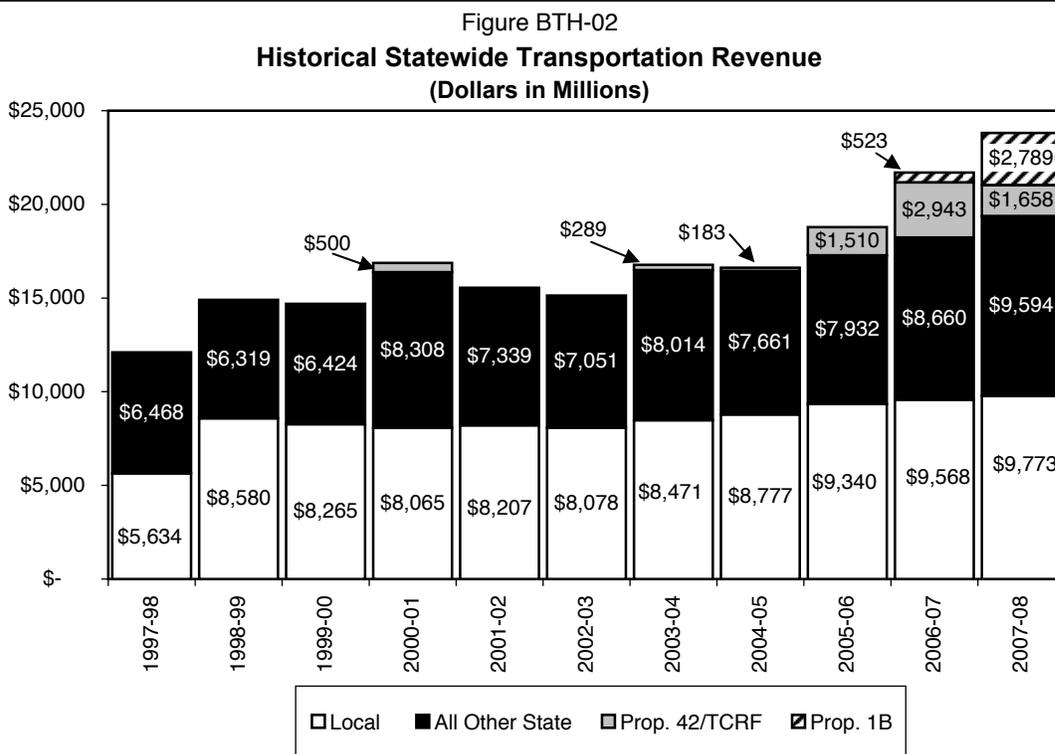
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### TRANSPORTATION OVERVIEW

The Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety, and local government agencies administer transportation and related public safety programs.

Transportation funding has traditionally come from state and federal fuel taxes, the sales and use tax on fuel, motor vehicle licensing and registration fees, weight fees for trucks, and local sales taxes. A major new fund source is Proposition 1B, the \$19.9 billion transportation bond. The Governor’s Budget proposes total expenditures of \$16.8 billion in 2007-08 for roads, highways, mass transit and intercity rail, vehicle licensing and registration, and highway law enforcement. This is an increase of \$845 million from the 2006 Budget Act and an increase of \$1.7 billion from the revised 2006-07 expenditure estimates.

Figure BTH-02 outlines current total statewide transportation resources, which are estimated to be approximately \$23.8 billion in 2007-08, a major increase from \$21.2 billion in the current year due to the transportation bond. Local gas tax distributions for local streets and roads are shown in the General Government section of the Budget in Item 9350 (Shared Revenues).



**TRANSPORTATION FUNDING SOURCES**

**PROPOSITION 1B BONDS**

The Governor’s Budget proposes to appropriate \$8.2 billion to begin implementation of the transportation element of the Proposition 1B bonds as part of the Strategic Growth Plan.

- \$2.8 billion is projected to be allocated, or committed, in 2007-08. The initial allocation and appropriation amounts are planned to be adjusted as programs are more fully developed and projects are approved for funding.
- \$523 million is proposed to be allocated through urgency legislation to enable construction to start as early as feasible for high-priority projects that are ready-to-start.

Most Proposition 1B programs will be administered by either the California Transportation Commission or Caltrans, with the exception of the Trade Infrastructure Air Quality and School Bus Retrofit (Air Resources Board), Port Security (Office of Emergency Services), and Transit Security (Office of Emergency Services and Homeland Security) programs. The Budget will give the California Transportation Commission or Caltrans the flexibility to move funding forward from future allocations and allow shifts between programs if projects are ready to be awarded, with the concurrence of the Department of Finance and the Legislature.

Funds for these projects will be disbursed as construction and other project activities occur, as in the case of other transportation projects, so the impact on the state debt limit of the bonds issued to fund these programs will be manageable. 2006-07 expenditures will be proposed in urgency legislation. Trailer legislation is proposed to direct implementation of performance-based project selection and provide for accountability to the people. Figure BTH-03 displays the proposed appropriation for each program and their anticipated allocations by fiscal year.

Figure BTH-03  
**Planned Proposition 1B Implementation**  
 (Dollars in Millions)

	2006-07*	2007-08	2008-09	2009-10	Proposed 2007-08 Appropriations
Corridor Mobility	\$100	\$317	\$712	\$1,090	\$2,119
Transit		\$600	\$350	\$350	\$1,300
State Transportation Improvement Program	\$262	\$340	\$287	\$408	\$1,035
Local Streets & Roads		\$600	\$300	\$150	\$1,050
Trade Infrastructure	\$15	\$170	\$255	\$255	\$680
State Highway Operation and Protection Program	\$141	\$403	\$102	\$13	\$518
State/Local Partnership		\$170	\$166	\$166	\$502
Grade Separations		\$55	\$60	\$59	\$174
Highway 99		\$28	\$44	\$99	\$171
School Bus Retrofit		\$97	\$96	\$7	\$97
Local Seismic	\$5	\$9	\$13	\$17	\$39
<b>Total Appropriations</b>	<b>\$523</b>	<b>\$2,789</b>	<b>\$2,385</b>	<b>\$2,614</b>	<b>\$7,685</b>

\*2006-07 expenditures to be proposed in separate legislation

Four Proposition 1B programs are not reflected in the table (Intercity Rail, Transit Security, Trade Infrastructure Air Quality, and Port Security) because the Administration is considering program implementation approaches and gathering information on funding needs.

**PROPOSITION 42**

Approved by voters in March 2002, Proposition 42 amended the State Constitution to transfer state sales taxes on gasoline from the General Fund to transportation purposes beginning in 2003-04. The initiative replaced the Traffic Congestion Relief Program (TCRP) that began in 2000-01. The proposition included a provision that allows the Governor and the Legislature to suspend the sales tax transfer in a fiscal year when the transfer would result in a significant negative fiscal impact on government functions funded by the General Fund. The Proposition 42 transfer was partially suspended in 2003-04 and fully suspended in 2004-05 due to the inability of the General Fund to support the full transfer. The transfer was fully funded in 2005-06 and 2006-07. In November 2006, the voters approved Proposition 1A, which further limits the conditions under which the Proposition 42 transfer can be suspended and requires all outstanding loans be repaid in annual increments by June 30, 2016.

Consistent with that direction, the Governor's Budget proposes to fully fund the Proposition 42 transfer and the Proposition 1A loan repayment for fiscal 2007-08. The transfer distributes \$684 million to the TCRP, \$699 million to the State Transportation Improvement Program (STIP), and \$175 million to the Public Transportation Account. Pursuant to current law, cities and counties do not receive any local streets and roads maintenance funds from Proposition 42 in 2007-08. The state provided what would have been their share in 2001-02 and 2002-03, even though no General Fund transfer occurred in those years due to fiscal constraints.

**PUBLIC TRANSPORTATION ACCOUNT**

The Public Transportation Account receives funds from sales tax on diesel fuel, a portion of the sales tax increase provided by Proposition 111, Proposition 42, and the "spillover" sales tax on gasoline. Spillover revenues are available only when revenues from the gasoline sales tax at the 4.75-percent rate exceed revenues from all taxable sales at the 0.25-percent rate and this mechanism dates back to the establishment of sales tax on gasoline in 1972. In past years, spillover transfers occurred rarely; however, there has been spillover the last five fiscal years and, as a result of high gasoline prices, spillover revenues are estimated to be \$617 million in 2007-08. Other sales tax revenues to be deposited in the Public Transportation Account in 2007-08 are estimated to be \$398 million, an increase of \$19 million over the current year.

## BUSINESS, TRANSPORTATION, AND HOUSING

In prior years the Legislature amended these statutes to reallocate the spillover revenues by statutory change to higher priority transportation uses. A similar reallocation is proposed in this budget to offset the following General Fund expenditures in the following transportation programs:

- Home-to-School Transportation (\$627 million).
- Transportation General Obligation Bond debt service (\$340 million).
- Developmental Services-Regional Center Transportation (\$144 million).
- These cost shifts are possible in part due to the large increases in spillover sales tax on gasoline, diesel sales tax and Proposition 42 sales tax on gasoline. While General Fund revenues have grown by 8.4 percent since 2005-06, these revenue sources have grown over 294 percent in that time.
- The spillover increase results from a shift in consumer buying to gasoline from other taxable items due to an increase in gas prices. The higher gas prices do not appear to cause a commensurate, sustained increase in consumer earnings or spending. Thus most of the current spillover revenue comes at the expense of the sales tax revenue that goes to the General Fund.
- It is anticipated that use of Public Transportation Account funds for Home to School Transportation will continue in future years, but future revenues are not likely to be sufficient to fund both of the other two programs and that at least the Debt Service Fund will be supported by General Fund in 2008-09. If insufficient money is available in future years to sustain Home to School Transportation or Regional Center Transportation funding from the Public Transportation Account, any needed funding would be provided from the General Fund.
- Regions and counties were able to propose \$1.7 billion in transit projects for the State Transportation Improvement Program last spring, but have not yet nominated projects to use over \$600 million of these funds, indicating that there is not a pressing and immediate need for capital funds, especially given the \$3.6 billion in bonds that will be available for several years.
- The Budget proposes \$600 million in transit bond allocations and \$69 million from the Public Transportation Account for capital projects in 2007-08. This is sufficient to fund all transit projects that were anticipated to be funded under the State Transportation Improvement Program in 2007-08. Additional project authorization capacity from the total \$1.3 billion 3-year bond appropriation can be advanced to 2007-08, if other projects

are approved for funding during 2007-08. Additionally, the Caltrans budget reflects \$548 million more in 2007-08 for transit projects funded from the Traffic Congestion Relief Fund.

- As compared to the \$331 million spent on transit in 2005-06, the Governor's Budget proposes effective spending of \$397 million on transit from the Public Transportation Account for 2007-08, including a decrease in transit operating grants from \$201 million to \$185 million. These figures reflect an adjustment of \$102 million from 2006-07 to 2007-08 to reflect the fact that transit agencies are being paid more in 2006-07 than is provided for in statute, due to an unintended interpretation of Budget Act language.
- Future transit operating funds will increase by an estimated \$136 million in 2008-09, due to an increased share of Proposition 42 funding that begins that year. Other PTA revenue sources are also likely to grow. While it is recognized that more operating money will be needed to operate the STIP and bond-funded projects, more funding will not be needed until the equipment is delivered and construction is completed in future years.
- Transit operators need consistent and predictable funding for operations. The spillover calculation is highly volatile and in many years, produces no funds for transit. Thus it is proposed to decouple the spillover calculation from the state transit operating grant funding formula.
- While substantially more funding was provided in the 2006-07 Budget, this was based in part on spillover revenue estimates, which appear now to have been too high, one-time loan repayments of \$218 million, and the desire to accommodate a spike in capital spending programmed in the 2006 STIP.

The Budget also proposes to permanently cease transferring revenues not controlled by Article XIX of the Constitution from the State Highway Account to the Public Transportation Account. This amount, estimated to be \$80 million in 2007-08, will instead be used to reduce the backlog in pavement maintenance that Caltrans faces in the State Highway Operations and the Protection Program and the Maintenance Program.

### TRIBAL GAMING FUNDS

The 2006 Budget Act assumed repayment of a portion of outstanding transportation loans with \$849 million in bond proceeds derived from Indian gaming revenues to specified transportation programs. The 2005-06 expenditure total reflects \$151 million in tribal gaming revenues that had been received to repay the State Highway Account for previous loans to the General Fund. Several lawsuits have prevented the bonds from being sold, and the date

that the tribal bond revenues were expected has subsequently changed numerous times. The Budget now assumes spending the tribal compact cash as it is received until the date that the bonds can be sold can be determined. Of these funds, \$100 million is annually deposited with the state, and consistent with current law, \$200 million from 2006-07 and 2007-08 will be deposited in the State Highway Account.

**TRADITIONAL STATE TRANSPORTATION REVENUES**

The Governor’s Budget forecasts gasoline and diesel excise tax revenues to increase by approximately 1.7 percent in 2007-08, from \$3.4 billion to \$3.5 billion. Federal excise tax funds available to Caltrans in 2007-08 are estimated to increase by 16 percent to \$4.1 billion. California imposes fees on commercial vehicles and heavy pickup trucks based on the vehicle’s laden weight, i.e., the heavier the vehicle, the greater the fee. The Budget anticipates weight fee revenues will be \$979 million in 2006-07 and \$1.03 billion in 2007-08.

These funds are distributed to the State Highway Account for support of the Department of Transportation, the Maintenance Program, The State Highway Operation and Protection Program, the State Transportation Improvement Program and to cities and counties for transportation purposes.

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**TRANSPORTATION—MAJOR PROGRAMS**

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. Caltrans provides intercity rail passenger services under contract with Amtrak and helps local governments deliver transportation projects.

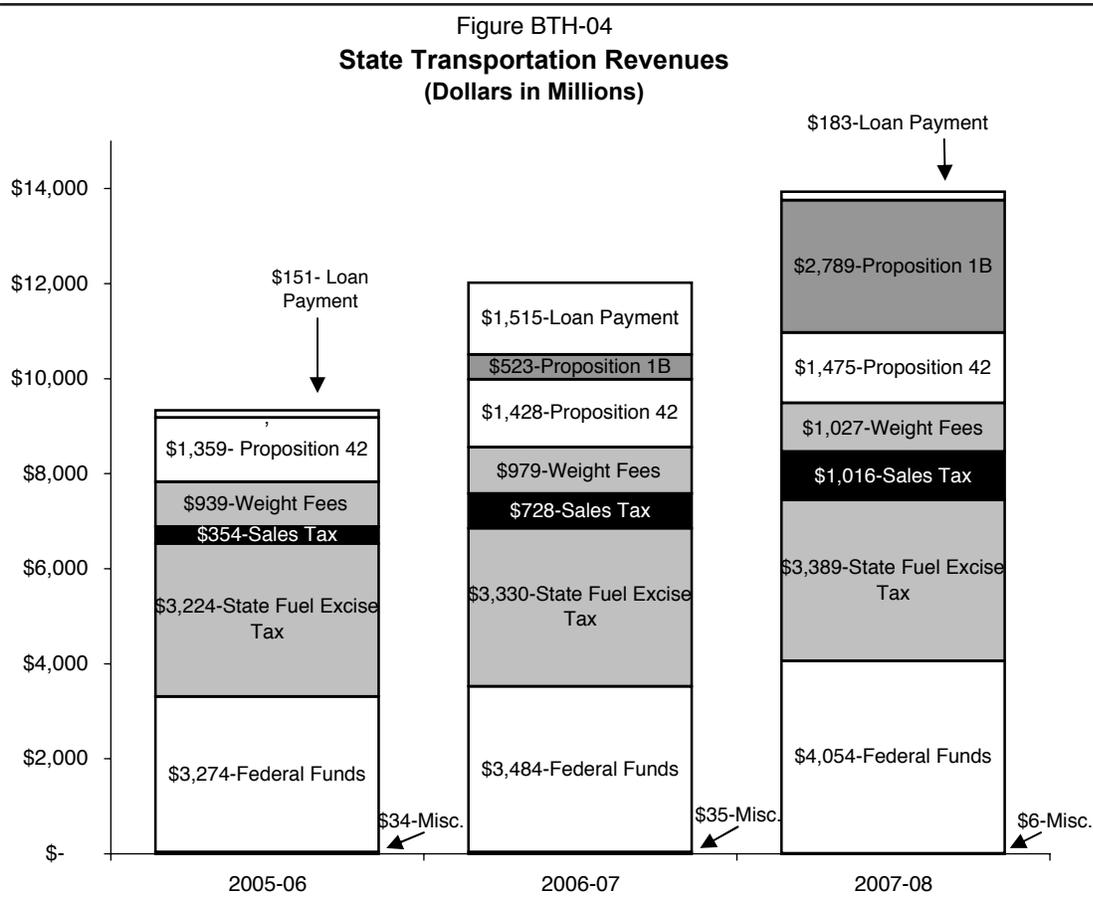
The Governor’s Budget proposes \$12.8 billion, \$11.2 billion from non-General Fund sources, for the Department of Transportation. This reflects an increase of \$1.5 billion from the revised 2006-07 budget due primarily to the implementation of Proposition 1B.

Transportation projects and operations generally are supported by dedicated special funds and federal funds. This approach guarantees funding for multiyear planning processes that need sustained revenues to fund large projects.

**CAPITAL OUTLAY**

A 2007-08 authorization of \$5.8 billion is proposed for transportation capital outlay programs compared to \$4.6 billion in the current fiscal year. The 2007-08 total includes \$218 million from the General Fund, \$1.2 billion from the State Highway Account, \$1.6 billion in federal funds, and \$2.8 billion from other special funds.

Figure BTH-04 shows resources used at the state level from 2005-06 through 2007-08.



- The Proposition 42 transfer was fully funded in 2005-06 and 2006-07, and is proposed to be fully funded in 2007-08.
- The gaming revenues in 2005-06 are to repay transportation loans made in previous years. The one-time General Fund loan repayment in 2006-07 is to prepay a portion of the \$868 million in 2003-04 Proposition 42 loan and \$1.258 billion 2004-05 Proposition 42 loan. Annual revenues collected from tribal gaming compacts will be used to repay pre-Proposition 42 debt.
- \*Misc." includes Propositions 116 & 192.

**STATE TRANSPORTATION IMPROVEMENT PROGRAM**

The California Transportation Commission adopted the 2006 State Transportation Improvement Program Fund Estimate in September 2005. The Fund Estimate is an approximation of all resources reasonably expected to be available for transportation over the next five-year period. The 2006 STIP Fund Estimate covers 2006-07 through 2010-11, and estimates total programming capacity of \$5.6 billion. This level of capacity fully funds

## **BUSINESS, TRANSPORTATION, AND HOUSING**

the 2004 STIP, which was constrained by inadequate resources, and adds \$1.8 billion in new programming capacity.

In November 2006, voters approved Propositions 1B, authorizing \$19.9 billion in bonds for transportation, including additional funding for STIP, as part of the transportation element of the Governor's Strategic Growth Plan. As a result, the Commission adopted the 2006 STIP Fund Estimate Augmentation in December 2006, adding another \$2 billion of program capacity for the current Fund Estimate period. The Budget reflects \$262 million in 2006-07 and \$340 million from these new funds.

### **STATE HIGHWAY OPERATION AND PROTECTION PROGRAM**

State Highway Operation and Protection Program (SHOPP) projects reduce collisions and hazards to motorists, preserve bridges and roadways, enhance and protect roadsides, and improve operation of the state highway system.

The 2006 Fund Estimate assumes \$12.9 billion in SHOPP funding from 2006-07 through 2010-11. For 2007-08, \$1.8 billion is included in the Budget. The Budget proposes to use a combination of the tribal gaming revenues and \$205 million in federal funds received for past emergencies and reallocated from other states for additional pavement projects in the SHOPP in 2006-07 and 2007-08. The last maintenance pavement survey, which was conducted in 2004, indicated nearly 14,000 lane miles (or thirty percent) of the state highway system were "distressed", or needing major repair.

### **LOCAL ASSISTANCE PROGRAMS**

Caltrans provides state and federal transportation funds to local agencies through its local assistance budget. The funds support local capital improvement projects on the state highway system, mass transit capital improvement projects, and local bridge improvement projects and provide discretionary assistance to local transportation agencies. The Governor's Budget proposes \$3.2 billion in local assistance funding for transportation in 2007-08, including \$645 million for local mass transportation projects. The total is comprised of \$801 million from the General Fund, \$158 million from the State Highway Account, \$1.8 billion in federal funds, and \$441 million from other special funds.

### **STATE OPERATIONS BUDGET**

The Governor's Budget proposes \$3.8 billion in state operations funding to support Caltrans in 2007-08, including \$256 million from the General Fund, \$2.4 billion from the State Highway Account, \$642 million in federal funds, and \$502 million from other special funds, a \$149 million increase from currently estimated 2006-07 expenditures.

**MAINTENANCE**

The Budget includes \$1.2 billion and 5,821 positions to maintain approximately 15,000 centerline miles of highway, over 230,000 right-of-way acres, and over 12,000 state highway bridges and to inspect over 12,000 local bridges. The maintenance budget reflects an \$85 million augmentation from non-Article XIX revenues and available balances.

**RAIL OPERATIONS**

The Budget includes \$123 million and 153 positions to manage and coordinate intercity rail passenger services that provide commuters with a range of transportation options, help to improve the state's air quality, and reduce highway congestion and fuel consumption. Caltrans manages two state-supported routes operated by Amtrak, and financially supports a third.

**CAPITAL OUTLAY SUPPORT**

Caltrans will submit its traditional zero-based Capital Outlay Support request as part of the May Revision. Caltrans estimates its capital outlay workload needs in the spring because it has a better idea of which projects will be allocated by the California Transportation Commission in the upcoming year and what the appropriate resource level is to deliver those projects. Capital Outlay Support has been reduced by \$12 million to reflect the absence of tribal gaming bond-funded workload.

**HIGH-SPEED RAIL AUTHORITY**

The High-Speed Rail Authority is charged with planning the development and implementation of an intercity high-speed rail service. Chapter 697, Statutes of 2002, proposed placing a \$9.95 billion general obligation bond measure before voters in 2004 to fund planning and construction of the system. Chapter 71, Statutes of 2004, deferred the vote until November 2006. Chapter 44, Statutes of 2006, further deferred the vote to 2008. The Governor's Budget proposes \$1.2 million, all from non-General Fund sources, and 6.5 positions for the Authority. This represents a decrease of \$13.2 million from the revised 2006-07 budget and the 2006 Budget Act.

In developing the Strategic Growth Plan, it has become clear that setting aside enough bonding authority for this project would preclude bonds for virtually all other purposes. While high-speed rail could eventually be shown to be a cost-effective piece of the state's long distance travel system, the benefits are not sufficient to outweigh the immediate needs included in the Strategic Growth Plan. Therefore, the Administration is proposing to defer the High-Speed Rail bonds indefinitely and is willing to explore other project delivery approaches for the longer term.

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## HIGHWAY SAFETY

Maintaining and promoting safety on California's highways and roads is a critical function of state government. This is accomplished by:

- Patrol and enforcement.
- Ensuring the competency of drivers through licensing and testing and by evaluating unsafe drivers.
- Maintaining accurate and secure records concerning identification and driver performance.
- Protecting property through the registration and titling of vehicles and vessels.
- Licensing and regulating occupations and businesses related to the manufacture, transport, sale, and disposal of vehicles and the instruction of drivers.
- Administering financial responsibility laws such as verification of vehicle insurance coverage.
- Dispensing traffic safety grants to local and state law enforcement agencies.

## MOTOR VEHICLE ACCOUNT

Vehicle registration fees and driver's license fees are deposited into the Motor Vehicle Account to be used for the administration and enforcement of laws regulating the use, operation, and registration of vehicles on California public streets and highways, including the enforcement of traffic and vehicle laws by state agencies and the mitigation of the negative environmental effects of motor vehicles.

The Governor's Budget projects the 2007-08 year-end fund balance will be approximately \$253.3 million, or 10.8 percent of expenditures. This is a prudent balance necessitated by numerous cost pressures on the fund and the full-year costs of approved budget augmentations, which are described under the affected departments. The long-term outlook of the fund is for a reduction to the balance while retaining solvency without a need to authorize fee increases for several years.

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## CALIFORNIA HIGHWAY PATROL

The Department of California Highway Patrol (CHP) is responsible for patrolling over 105,000 miles of freeways, state highways, and county roads. The CHP's primary focus is traffic

management and public safety, which includes traffic law enforcement, investigation of vehicle collisions, homeland security, Capitol and dignitary protection, air operations and support, services to motorists, and protection of state facilities and their personnel. The Governor's Budget proposes \$1.8 billion and 11,258 positions for support of the CHP. This represents an increase of \$150.1 million and 184 positions above the revised 2006-07 budget and \$260.4 million above the 2006 Budget Act.

#### **PATROL STAFFING EXPANSION**

The Budget proposes to add 50 uniformed positions and 41 nonuniformed positions (\$17.5 million Motor Vehicle Account) to address workload growth associated with population growth. By the end of the year, 120 officers, and 41 support staff will be added. The full-year cost of this proposal is \$21 million. These positions (uniformed and nonuniformed) are necessary to support the CHP's mission as it faces an increasing workload associated with continuing substantial growth in population, increasing number of licensed drivers, increasing development of new communities, and the resulting increased traffic congestion and collisions.

The CHP projects this statewide staffing augmentation could increase proactive patrol hours by approximately 68,000 hours, or approximately 8,500 work shifts. Proactive road patrol provides a significant deterrent to motorists who violate the law and enhances security through increased officer presence. Increased staffing reduces response times to major collisions and persons needing assistance on state highways.

#### **CALIFORNIA HIGHWAY PATROL RADIOS**

The Budget includes \$51.4 million to continue replacement of the Highway Patrol's antiquated radio system. This project is estimated to cost \$504 million over five years. Upgraded equipment will substantially increase the CHP's ability to communicate with other state and local emergency personnel.

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### **DEPARTMENT OF MOTOR VEHICLES**

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The DMV collects fees that are revenues to the Motor Vehicle Account. Over the past two years, the DMV has reduced field office wait times in the largest offices from nearly one hour to 20 minutes and reduced customer telephone wait times by more than 50 percent. The Governor's Budget proposes \$902.9 million, all from non-General Fund sources, and 8,280 positions for support of the DMV. This represents an increase of

## BUSINESS, TRANSPORTATION, AND HOUSING

\$19.2 million above the revised 2006-07 budget and \$55.2 million above the 2006 Budget Act.

In addition to the project discussed below, the Budget will provide additional funds for customer-friendly improvements including an increase in Internet-available information and transactions. This year, DMV customers have been given the ability to have Internet access regarding the status of occupational licenses and to report a change of address or the sale of their vehicles online. Also, DMV has begun to suspend the registration of vehicles on which there is no financial responsibility and has initiated a campaign to encourage organ donation.

### DEPARTMENT OF MOTOR VEHICLES INFORMATION TECHNOLOGY MODERNIZATION

The DMV's mainframe systems are antiquated, are written in archaic programming languages, and require replacement. The Budget includes \$24 million to continue the process of replacing these systems with commercially available software. This project will cost approximately \$242 million over seven years.

### REAL ID ACT

The Act sets minimum standards for the creation and issuance of driver's license and identification cards that will be acceptable for official federal purposes, such as air travel and entering federal buildings. The Act has significant workload and cost implications for the DMV because it requires 24 million licensed drivers and identification card holders in California to return to DMV offices to establish identity and obtain compliant cards when many of these individuals otherwise would have been able to conduct these transactions through the mail or internet. Provisions of the Act require implementation by May 11, 2008; however, federal regulations concerning implementation are still under development. Once the Real ID regulations are promulgated, the DMV will be in a better position to accurately quantify resource needs for the budget year.

Due to this delay, the 2007-08 Budget does not propose any new Real ID expenditures, but a spring request will likely be necessary. The 2006-07 Budget included \$18.8 million to begin the planning, programming, and infrastructure development necessary to implement the federal Real ID Act. These activities will enhance information technology infrastructure systems, streamline service delivery processes, and increase capacity and productivity in DMV field offices. In addition, these activities will further enhance DMV business processes by facilitating improved communication with other states, business partners and DMV customers. The Administration is aggressively seeking federal funds to implement

the Real ID Act. In addition, the Administration will continue to exercise a leadership role in advising federal rulemakers of the impact the Real ID Act will have on California citizens.

#### **CREDIT CARD TRANSACTION FEES**

As the DMV continues to promote use of the Internet to process transactions and provide better field office service, the number of transactions is expected to increase. Because credit card companies charge the state a per-transaction fee, the DMV will incur additional costs to process such transactions. The Budget includes \$11.4 million for this purpose.

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### **BUSINESS AND HOUSING**

The Business, Transportation, and Housing Agency includes the departments of Real Estate, Real Estate Appraisers, Managed Health Care, Financial Institutions, Corporations, and Alcoholic Beverage Control, which ensure efficient and fair markets for the real estate industry, health care plans, alcoholic beverage industry, and certain financial businesses. The Department of Housing and Community Development and the California Housing Finance Agency help communities expand the availability of affordable housing. Agency programs assist the state's infrastructure, small business finance, and economic development by encouraging and promoting economic activity and investment within the state.

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### **DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

The Department of Housing and Community Development (HCD) administers housing finance, rehabilitation, and community development programs, oversees the state's housing planning and code-setting processes, and regulates manufactured housing and mobile home parks. The Governor's Budget proposes \$968.6 million (\$15.6 million General Fund and \$953 million other funds) and 597 positions for the HCD's activities. This represents an increase of \$314.3 million and 79 positions from the revised 2006-07 budget and \$476 million above the 2006 Budget Act, mainly due to Proposition 1C, the new housing bond.

#### **PROPOSITION 1C IMPLEMENTATION**

In November 2006, the voters approved Proposition 1C, the Housing and Emergency Shelter Fund Act of 2006. HCD has begun the staff work to award funds from the proceeds of Proposition 1C to approved projects, expecting the first of these awards by the end of 2006-07. In 2007-08, HCD expects to make \$373 million in awards to the following program areas authorized by Proposition 1C:

## BUSINESS, TRANSPORTATION, AND HOUSING

- Affordable homeownership programs: \$88 million to help families become or remain homeowners (this includes \$30 million for California Housing Finance Agency (CalHFA) programs, \$15 million for the California Downpayment Assistance Program, and \$15 million for the Residential Development Loan Program).
- Affordable rental housing construction programs: \$140 million to provide affordable rental housing, including for the State's lower income workforce, the elderly, disabled, and veterans.
- Housing for farmworkers: \$40 million to produce rental and affordable ownership opportunities for farmworker families.
- Homeless permanent housing construction: \$95 million to build permanent housing for the homeless, those transitioning out of homeless, and foster care youth.
- Homeless shelter housing construction: \$10 million to construct and expand shelters of last resort and transitional housing for the homeless.

Proposition 1C authorizes HCD to make the above expenditures without additional legislative authorization. Proposition 1C provides funding for two other programs: Building Equity and Growth in Neighborhoods (BEGIN), which provides grants to cities and counties to make deferred-payment second mortgage loans to qualified buyers of new homes, and the Transit-Oriented Development program to develop and construct housing projects close to transit stations. Funding for these two programs is required to be annually appropriated by the Legislature. The 2007-08 Budget proposes \$40 million and \$95 million for awards through BEGIN and Transit -Oriented Development, respectively.

The Budget includes \$145 million in awards for three programs that Proposition 1C requires be further specified through the adoption of additional subsequent legislation:

- Infill Incentives Grants (\$100 million): A competitive performance-based award program of grants for critical infrastructure projects that will (a) measurably increase the supply of infill housing produced as a direct result of the state's investment, (b) encourage efficient land use and development patterns, and (c) ensure a reasonable geographic distribution of infrastructure resources throughout the state.
- Affordable Housing Innovation (\$15 million): Competitive grants or loans for projects on programs that demonstrate innovative, cost-saving ways to create or preserve affordable housing.

- Housing and Urban-Suburban and Rural Parks (\$30 million): This new program would create incentives to increase housing production by rewarding local governments with grant funds to create or improve well designed parks. This program would be administered by HCD in conjunction with the Department of Parks and Recreation.

The Administration will propose budget trailer bills to successfully implement these programs and to incentivise the creation of more housing.

**PROPOSITION 46**

Proposition 46 is the Housing and Emergency Shelter Trust Fund Act passed by voters in November 2002. Until the recent passage of Proposition 1C, Proposition 46 was the largest housing bond in the nation's history, providing \$2.1 billion for affordable homes for California's neediest citizens. As of December 31, 2006, the state had awarded approximately \$1.6 billion to create or provide incentives for more than 100,000 affordable rental or owner-occupied homes and shelter spaces. As a part of the Governor's Initiative on Homelessness, HCD has directed approximately \$30 million in Proposition 46 funds which, together with California Housing Finance Agency funds and Proposition 63, will provide homes with supportive services for seriously mentally ill homeless individuals and their families. HCD programs have assisted more than 10,427 homeless families and individuals, including veterans, by utilizing \$127.8 million in Proposition 46 funds to create homeless shelter and transitional housing facilities. Allocations are expected to decline in 2007-08, as HCD has been able to accelerate the award of funds and most categories of funding are fully allocated.